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JAPANESE DEFENSE: OUT OF THE CLOSET

Summary

One aspect of U.S.-Japan relations that has proceeded with few disruptions or open controversies over the last two years is defense cooperation, enabling policymakers in Japan to proceed with military buildup plans in relative calm. The absence of overt pressure from the United States to accelerate defense spending has helped diminish hostile reactions from the Japanese public and contributed to a steady consolidation of public opinion behind most of the government's defense thrust.

As a result, 1984 was not particularly noteworthy in this context. Once again, defense spending increased at a higher level than most budget categories. Although the rise was accompanied by the usual opposition from defense opponents, it was promptly approved by the Diet and put into effect. Bilateral consultations on military technology transfers continued without significant progress, but failed to generate friction. Planning for a revised mid-term defense outline was successfully concluded, preparing the public for the eventual elimination of the long-held one percent of gross national product (GNP) limit on overall defense spending.

The fact that defense played a secondary role in domestic politics and bilateral relations is itself newsworthy, for defense gradually has become a legitimate policy issue in Japan and one less frequently subject to emotional outbursts. The debate is no longer conducted behind closed doors, suggesting that the question of Japan's defense role is about to enter a new phase.

Developments in 1984

Several unexciting but significant events last year indicate that defense policy is now considered not only legitimate but also essential to Japan's economic and political integrity. The debate over the one-percent spending limit accelerated, but the underlying assumption was that this was an outmoded concept that would have to be replaced with more flexible restraints. A classified bilateral study of sealane defense was completed, a major step in defense planning and cooperation. Japan moved ahead with plans to replace outdated fighters, possibly with a domestically produced aircraft, now dubbed the FSX. Reorganization of the Self-Defense Forces (SDF) was initiated and joint U.S.-Japan defense exercises were expanded and increased. Technology transfer discussions continued and steps were taken to facilitate those exchanges.

A number of event passed unnoticed. Both the Carl Vinson and the Enterprise made ports of call in 1984. In previous years, the presence of one nuclear carrier would have stirred a political uproar. Moreover, deployment of Tomahawk cruise missiles on U.S. vessels in the region, heavily reported by the media, provoked some demonstrations in Japan but the fuss died out quickly and left no visible side effects.

Two developments illustrated the range of domestic and bilateral considerations during the year and the degree to which the defense debate has progressed in Japan. The first involved the joint sealane study. After a two-year bilateral study, the Japan Defense Agency (JDA) arrived at the basic principles of sealane defense. According to press reports, defense measures would be directed at Soviet naval actions and protection of the three strategic straits in Japanese waters. JDA also called for maximum dependence on Japanese capabilities, although reliance on American support in the region would be necessary given the current strengths of the Maritime Self-Defense Forces (MSDF).

There has been profound concern in both Washington and Tokyo over Japanese strategy for defending these waters since Prime Minister Zenko Suzuki agreed in 1981 to take on this role, and it is still not clear whether Japanese and American perceptions concerning the need for blockading the three critical straits are similar. Would the MSDF, for example, institute a blockade of Soviet vessels if there was a conflict between the United States and the U.S.S.R. in the Indian Ocean? Nevertheless, the two allies did manage to complete at least a basic strategic outline, indicating the degree to which the two countries have come to rely upon one another in regional defense. This development was not heavily publicized, but it was a major stride.

Another controversy involved the use of telecommunications satellites for defense communications. JDA has long sought to use satellites for general communications -- not necessarily for carrying classified messages. Satellite communications are considered particularly important to protect sealanes to 1,000 nautical miles. But even this limited use ran afoul of a 1969 Diet resolution forbidding the use of space for military purposes. Again, the peaceful intentions of Japanese policies collided with the needs of self-defense.

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The situation was resolved in part last March when Japan's Sakura 2 communications satellite was put into service, establishing telephone links between the main islands and Iwo Jima. Furthermore, funds were included in the FY 1985 budget for utilization of the U.S. Navy's Fleet-SatCom system for non-tactical uses. These actions followed a declaration that such utilization would not violate the 1969 resolution. Although actual communications have been enhanced, JDA was more concerned with establishing the principle that it was entitled to use satellites for self-defense purposes.

The next step, some observers suggest, will be for JDA to begin lobbying quietly but persistently for production of a satellite intended solely for JDA communications, then acquisition of an intelligence-gathering satellite. Faced with political constraints, budget restrictions and what one observer calls a "second-class status in the bureaucracy," JDA is not likely to achieve its goal in the near future, but now that the first step has been taken, it is easier to argue for the next phase.

The satellite issue, primarily a domestic concern instead of a bilateral issue, again reflected the more farsighted nature of the defense debate in Japan. Although it received little media attention in the United States, it was a significant Japanese policy issue that has important ramifications for the future. The fact that it was resolved in a politically acceptable manner suggests another significant step in the maturation of defense policies.

One Percent: Down the Drain?

Nowhere is the transition to an active defense posture more evident than in the debate on the one-percent limit. For the last two years, the Japanese government has been so close to the self-imposed spending cap that newspapers have reported weekly on the ratio of the defense budget to GNP. The government was spared confronting the issue in 1984 when the economy grew more rapidly than had been anticipated, giving Tokyo some time to prepare the general public for the inevitable and develop a consensus for a new approach.

Given the present course, the limit will be breached as soon as this summer, but no later than the early fall. (Optimists have noted that economic growth for 1985 is exceeding forecasts, raising the possibility that the government will again avoid the issue.) The same back-door approach that was crafted in 1984 is ready to be implemented for 1985. Civil service salaries will be increased later this year, including the salaries of Japan Defense Agency and Self-Defense Forces personnel. This approach, policymakers feel, is more palatable to voters and makes it easier for politicians to argue for expanded funding.

There is less argument in Japan that greater defense spending levels are necessary. Although there is concern over the pace of the military buildup, voters and politicians alike have gradually accepted the premise that the country faces a growing security threat from the Soviet Union and cannot rely solely upon the United States for protection.

Soviet actions represent direct threats to Japan's physical security. Japan's Air Self-Defense Forces (ASDF) scrambled a record 944 times between April 1984 and March 1985, for example, as Soviet intelligence and combat

aircraft probed Japanese air space. The Soviet Union's first deployment of a naval carrier group in the Pacific in 1984 contributed to fears that its actions threaten Japan's physical security and increase the potential that the Soviets intend to achieve political gains through military coercion.

More importantly, the willingness of government officials to state that premise explicitly is growing. The 1984 Defense White Paper, JDA's annual assessment of domestic and international security conditions, is by far the most precise and direct analysis of defense issues since the publication was initiated by then-JDA director-general Yasuhiro Nakasone in 1970. The paper noted that although efforts by the United States and other Western nations have helped stem Soviet influence in Asia, the U.S.S.R. still poses a potential threat to Japanese and regional security. Outlining the steps the Soviets have taken over the last year to consolidate their military influence in the Pacific, the report concluded that additional efforts will be required by Japan to fulfill the goals of the 1976 National Outline on Defense.

The report appeared to be addressing both an international and domestic audience. Comments directed toward the former justified Japan's defense programs, stressed the importance of expanding defense spending to meet JDA goals, and offered reassurance that defense spending would not get out of control. In expressing support for American defense efforts and identifying Japan with the security goals of all the Western nations, for example, the white paper implicitly established a rationale for JDA programs as well. At the same time, it said that the 1976 defense outline inherently limits Japan's defense spending and thus will prevent a military buildup that could concern not only the voters but also the country's Asian neighbors.

The international audience addressed in the white paper is primarily the United States. The report assured Japan's allies that Tokyo will meet its commitments, including, for example, greater resource allocations.

Significantly, the white paper underscored the importance of domestic weapons production, noting its sharp impact on military strategy. It thus endorsed publicly the growing support in Japanese business and policymaking circles for a self-sufficient defense production base, a position that had been urged in the early 1970s by Mr. Nakasone, then JDA's head.

This willingness to articulate defense concepts has also manifested itself in bilateral forums, such as the report of the United States-Japan Advisory Commission released in September 1984. Echoing many of the same thoughts as the JDA white paper, the advisory commission's report concurred on the Soviet threat in Asia and went one step further by declaring that America's security is inexorably linked with Japan's. The report urged that those links be strengthened by joint research and development in defense, a proposal that is being considered seriously in both countries even though it would have sent shivers up collective spines for political reasons only a few years ago.

To help pave the way for the inevitable, Mr. Nakasone organized a private-sector commission to study defense issues when he first took office. The final report of the Kosaka Commission, which was released last December, declared that the one-percent objective is no longer feasible in light of the continued need to expand self-defense. The study was another piece of

consensus-building that should enable the government to move to more flexible guidelines governing defense spending policies.

Redefining Limits: Qualitative Not Quantitative

Freed from a strict monetary restraint on defense spending, both critics and supporters of the military in Japan are considering new guidelines that will achieve Tokyo's strategic goals without provoking suspicions of rampant Japanese militarism. This concern has guided thinking behind the revised five-year plan, which is expected to be approved by mid-June at the latest.

Indeed, it is only now that policymakers have been able to focus on concrete qualitative goals and that defense planners have been forced to consider overall military expenditures and the interrelationship of the services. When spending limits were in effect, they provided a convenient excuse to avoid facing issues such as ground force reorganization or the most effective mix of air, ground and sea forces.

The Liberal Democratic Party (LDP) has led the debate to replace the one-percent limit, in effect since 1976. Initial proposals included simply a higher spending limit, perhaps 1.5 or 2 percent of GNP. Other alternatives included a cap on annual budget increases or a spending limit as a percent of gross domestic product instead of gross national product. These approaches, however, have apparently been rejected in favor of policy-oriented controls that would emphasize defense planning rather than spending targets.

It appears that the five-year defense plan will become the mechanism for both defining defense policies and assuring spending restraint. Long-term defense plans are expected to be reviewed periodically, including current cost estimates. Party officials hope that this system will achieve several goals. It will establish the precise aims of Japan's self-defense forces; define appropriate budgetary requirements; develop political and public support for defense programs; and check military expansion.

This shift has contributed to a new definition of Japan's role in the world and in Asia, but it has implications for other issues that could prove to be politically sensitive. Included is the question of constitutional revision. The LDP has completed proposals to re-examine the constitution in light of modern security concerns. Although outright abolition of the famous "no-war" article of Japan's constitution has been proposed at various periods, the LDP favors a more moderate approach that would include giving consideration to Japan's three "non-nuclear principles," creating a non-nuclear zone, prohibiting offensive forces, and pledging not to send forces overseas.

Nevertheless, many defense critics fear that Mr. Nakasone is attempting to move Japan toward the path it once followed. The discussion also has raised eyebrows in the United States. Even some military experts are still leery that Japanese rightists would exploit the situation and advocate a stronger military force. The current debate in Japan has been portrayed by its supporters as an effort to assure civilian rule while eliminating the contradictions contained in Article IX that have hampered the formulation of sensible self-defense policies, but the issue is likely to remain controversial.

The Five-Year Plan: Still Out of Reach

JDA released its preliminary budget request for fiscal year 1985 on June 17, 1984, calling for an 8.5 percent increase over FY 1984's Y2.94 trillion ($11.7 billion at Y250=$1.00) level. Anticipated personnel expenses and equipment needs were given as the principal reasons for the increase, which came under severe scrutiny from the Ministry of Finance and defense opponents. The prime minister came under fire for pressing forward on defense while maintaining constant spending levels in other areas, particularly in sectors that would stimulate the domestic economy, but the Diet approved a 6.9 percent increase.

The new defense budget reflects a sensitivity to many problems unique to the Japanese. Ammunitions budgets, for example, along with other sustainability items, were increased 28 percent above FY 1984 levels. Seventy-three aircraft will be acquired under the plan, and the Patriot surface-to-air missile system will be introduced to replace outdated Nike J systems.

There is an increased emphasis on air and naval defense as opposed to ground forces. Defense experts have criticized the predominance of ground personnel in the SDF, noting that any invasion of Japan must be launched in the air or by sea. These forces, many of whom are well beyond retirement age and are kept on active duty only to avoid even higher pension costs, actually debilitate Japan's self-defense, observers say. Prime Minister Nakasone, a former Navy man, told graduating cadets last March that any invasion of Japan would be "met at sea." Some suspect that Mr. Nakasone is simply demonstrating personal loyalties, but the strategy has been applauded by experts in both the United States and Japan.

Coupled with this shift are plans to reorganize the Ground Self-Defense Forces (GSDF) to provide a more effective defense against the Soviets. These proposals include increasing weapons for units now stationed in Hokkaido and greater air mobility for units stationed in other parts of the country. These plans reflect assessments that Soviet troops positioned off Japan's shores could be used in an invasion to secure the northern straits for passage by Soviet vessels.

These proposals are part of the next mid-term defense plan that is under review by the National Defense Council, a group that includes the prime minister and cabinet members involved in defense issues. Approval of the plan is expected by mid-July at the latest. Among the plan's provisions are:

- Doubling the number of P3C anti-submarine patrol planes to 100, increasing combat ships from 49 to 63, and adding 11 new submarines, bringing the total to 16.

- Additions of anti-tank helicopters for the GSDF.

- Acquisitions of F15 fighters for the ASDF to a total of 190.

Despite these ambitious plans and the budgetary discussions, observers agree that the JDA is incapable of meeting current or even revised defense

plans with present levels of funding. Estimates for meeting the goals vary from 1.4 to as much as 2.5 percent of the nation's GNP, using current methods for calculating the balances. In any event, the government is far from meeting the goals of the current five-year plan and is unlikely to achieve its new aims unless spending is increased steadily over the coming years. Political considerations suggest limiting annual increases to perhaps no more than 10 percent. Double-digit hikes could easily provoke anxieties among Japan's Asian neighbors, but that is what many defense specialists insist is necessary to meet current goals, let alone larger plans that they feel are necessary for adequate defense in the event of a serious conflict.

Other factors continue to obstruct planning. The Ministry of Finance, for example, emphasizes -- for political reasons alone, some suggest -- equal financial support of the three military branches, although that stance may be in the process of revision. Sustainability remains poor, observers note. Moreover, considerable ground must be made up before the forces can attain reasonable levels of combat readiness. Many doubt that these problems are sufficiently addressed even in the next five-year program.

The lack of combat readiness was painfully illustrated by a recent exercise involving a simulated defense of Hokkaido by the GSDF against imaginary Soviet invaders. Less than 20 minutes into the exercise, the "Soviet" forces had methodically eliminated Japanese defenses and established a beachhead on the island. Some observers have insinuated that the exercise was intentionally "fixed" by GSDF planners to emphasize the need for additional ground forces and funds. They agree, however, that even if the exercise had been structured differently, the results most likely would have been the same.

Other problems addressed in part by the new program are an imbalance in the MSDF between surface ships and submarines, the integration of missiles and aircraft in the ASDF, and the coordination of civilian and uniformed personnel within JDA. JDA officials are also frustrated that the agency lacks full cabinet status and only now has begun to attract some of Tokyo University's top graduates, a key consideration in developing and maintaining influence in the government. Many of these conditions could be rectified by the end of the next five-year program, if it is sufficiently funded, observers agree. That qualification, however, is the major stumbling block.

Technology Transfers: "Getting Nowhere Fast"

In 1983, the Reagan administration sought to establish the principle of unimpeded transfers of military technologies between the United States and Japan. Prime Minister Nakasone signaled his agreement in principle before his first official visit to the United States in January 1983. Subsequent discussions led to an exchange of notes in November of that year outlining the framework for such exchanges. Since then, however, one technology transfer specialist says that the policy "has been getting nowhere fast."

Delays in facilitating smooth transfers between the two countries were expected on both sides of the Pacific, but have perhaps exceeded expectations. Several problems were expected to be settled in 1984 with the release of a report by a study group of the Defense Science Board and other Department of Defense (DOD) teams that visited Japan, yet this was not the case.

A group of defense experts organized by DOD arrived in Tokyo July 7 to tour laboratories of major corporations and government agencies and review Japanese technical capabilities to open the way for company-to-company transfers of military technologies. Included on its agenda were tours of NEC Corp., Mitsubishi Electric Corp., Sumitomo Electric Industries, Ltd., Hitachi, Ltd., Fujitsu, Ltd., the Ministry of International Trade and Industry (MITI) and JDA's Technical Research and Development Institute.

Later that month, the Defense Science Board released its long-awaited study on dual-use technology transfers. Chaired by Malcolm R. Currie, senior vice president of Hughes Aircraft Co., the study focused on 16 specific technologies in which U.S. companies are interested, including gallium arsenide semiconductors, computer-aided design and voice-recognition systems. By publicly enumerating at least general areas of interest, the report addressed some questions that had emerged during the 1983 technology transfer negotiations.

Certain conclusions that were potentially controversial stimulated surprisingly mild reaction, even after policymakers had examined their implications. Among these was the judgment that production plans would force increased defense spending in Japan and eventually make the country a potential defense exporter. The Currie team concluded, however, that the overriding importance of the alliance is such that "closer technological cooperation outweighs drawbacks of eventual competition." The report noted that although government policies preclude the immediate possibility that Japan will become a defense exporter, it is a long-term and widespread concern to U.S. industry. The Defense Science Board anticipated that Japan would be able to export defense-related products in ten to 15 years.

An emphasis on the Japanese government's role in promoting high technology sectors, Tokyo's drive to develop self-sufficiency in defense production, and the link between commercial and defense projects suggests that competition with Japan is a major concern in the United States. Calls for retaining U.S. technological superiority have furthered this awareness. Although the writers clearly recognized that Japan's capabilities are growing and in many cases exceed U.S. efforts, the document underscored strong, mutual private-sector interest in exploring transfer possibilities.

Many of the limitations outlined in the Currie report, however, will require long-term efforts. For example, the report noted that comprehensive surveys of Japanese technologies were virtually nonexistent. DOD and other government agencies have concluded an assessment of electro-optics, a primary area of Pentagon interest, and this study should be available by the end of May. Other problems, however, including a shortage of Japanese language specialists and fundamental shifts in government and business attitudes, have only begun to be addressed.

One persistent technology transfer problem cited in the Currie report is the U.S. government's continued emphasis on safeguarding sensitive technologies to prevent leaks to unfriendly countries. The Defense and Commerce Departments have been involved in bureaucratic disputes over jurisdictional questions and the degree to which export control policies should restrain transfers to other countries. Those disputes have been resolved on paper, and approval of a new

Export Administration Act should help clarify the situation, but bilateral technology flows are not likely to occur until procedures are more stable and predictable.

DOD officials readily admit to both government and private-sector security concerns and cite them as a major reason for delays. Suspicion about Japanese motives and security are strong in the United States, one specialist notes. "There is institutional momentum to keep all foreigners out, not just Japanese," he concludes. Other problems include the "not-invented-here syndrome," which leads many Americans to reject foreign technologies out of national pride.

Japanese sensitivities, particularly at the policy level, to the possible use of their technologies in American military equipment remain a major stumbling block to transfers as well. Yet another problem has been what some feel is Tokyo's failure to promote transfers. The reasons offered for this vary from MITI's desire to protect vital Japanese technologies for domestic, commercial purposes to fears of being perceived as an arms merchant. Companies hesitate to give away the family jewels just when they feel that can not only compete with the United States, but surpass it in several fields.

DOD officials clearly are relying on the technology transfer agreement to help reduce development costs of new systems, reduce production and deployment lead times and increase inter-operability of U.S. and Japanese systems. Some go so far as to reject the fears expressed by some American businessmen. "Maybe we could stand the competition," says one official who has few illusions about U.S.-Japan cooperation.

Officials in both countries are anxious to alleviate the logjam. Representatives of the Joint Military Technology Commission met for the first time November 6 in Tokyo, and technology transfer specialists from the United States spent nearly three weeks in Japan in April. Meetings later this month and a review of the electro-optics report should help generate some momentum. DOD is placing great emphasis on technology transfer policy, and an increasing number of U.S. specialists are giving more than just lip service to co-development and co-production of a range of next-generation defense systems. But for these policies to be realized, someone has to take the first step and no one seems to be moving at this point.

The Drive Toward Self-Sufficiency

Complicating the situation is Tokyo's own emphasis on attaining the greatest possible degree of self-sufficiency in defense production. The reasons behind the policy, which was reiterated in the 1984 white paper, are varied and, from a Japanese perspective, persuasive. They include:

- The need to fill gaps left in industrial production by declines in shipbuilding and other heavy industries. Private companies and the public sector alike see opportunities in defense production.

- A lurking suspicion of the reliability of the United States as a defender and supplier.

- A realization that in times of conflict, dependence on U.S. supplies cannot be presumed.

- A desire to absorb advanced technologies whenever possible, both for their intrinsic value and to boost civilian industries, particularly aerospace.

The self-sufficiency drive has manifested itself in several areas. The BK-117 helicopter, for example, jointly developed by Kawasaki Heavy Industries, Ltd. and West Germany's Messerschmitt-Boelkow-Blohm, is a notable success in an area where small domestic markets limit the realistic expansion of production. No new helicopter programs are planned in Japan, but the lessons learned under the BK-117 project are available for future reference. Meanwhile, emphasis has shifted to licensed production and maintenance of CH-47 helicopters and retrofits of Sikorsky SH-60Bs, leading some observers to suggest that Japan may eventually decide to develop its own helicopters.

Co-production of F-15s in Japan is another step toward what some analysts see as a drive to develop a domestic fighter from scratch. Considerable U.S. technology has been transfered to Japan under the program. Increasing abilities in this industry segment were demonstrated when the first Kawasaki XT-4 trainer prototype was rolled out April 17. The T-4, powered by Japanese-produced engines, is to be the mainstay of training programs for the ASDF, which is expected to acquire 200 of the aircraft. Its development was spurred by funding from JDA's Technical Research and Development Institute, an increasing force in annual budgets. Significantly, the T-4, developed with sophisticated computer-aided design and manufacturing techniques, will be available for export, the government having determined that the plane does not qualify as a "weapon" and thus is exempt from Japan's ban on weapon exports.

Without a doubt, the project that has come in for the most popular attention at this point is Japan's FSX aircraft program, an effort to replace outdated F-1 and F-4 fighters with a domestically produced plane. Despite American and European pressures to buy a replacement abroad (General Dynamics Corp.'s F-16, the Panavia Toronado and McDonnell Douglas Corp.'s F-18 have all been proposed), JDA is proceeding with its plans to extend the life of its F-4 fighters for the time being and consider alternatives for production of a new jet. These include licensing a foreign design, joint production of an essentially Japanese plane, and a cooperative effort to produce a hybrid configuration.

The FSX program provides considerable opportunities for Japanese manufacturers to expand their aerospace business. Last year, defense-related demand accounted for more than 80 percent of Japan's aerospace sales, partly because of the slump in civilian markets. With uncertainty in this sector expected to continue, the FSX is seen as the best alternative for new, sustained production lines that will carry well into the next decade.

Self-sufficiency has generated controversy in defense policy circles in both countries. U.S. officials, particularly congressmen who are critical of what they see as Japan's "free ride" on defense, feel that MITI's strong role in defense plans and production indicates its desire to absorb technology for commercial purposes. Under the guise of self-defense, they see Japan, Inc. rearing its head again in search of new export markets at U.S. expense. Others

lament the unnecessary duplication of effort, the delays in deployment caused by co-production or licensed production rather than off-the-shelf purchases, and the staggering costs of this course.

There are, however, benefits to this approach as well. Inter-operability and extended production lines can be achieved through bilateral cooperation, DOD specialists note, and American suppliers receive royalty payments. But direct purchases are more expedient and practical in defense terms, although not necessarily from a long-term commercial perspective. Significantly, the pragmatic arguments attract many sympathetic ears in JDA.

The Defense-Trade Linkage

With the bilateral trade balance overwhelmingly in Japan's favor, there is some pressure in the United States to encourage Tokyo to buy U.S. systems outright in order to help reduce this country's trade deficit. The problem here is selecting an approach that will not damage U.S. or bilateral interests. Japan's willingness to go it alone has already been indicated. Indeed, those policies may very well have been justified by past defense-trade linkages. Nevertheless, with the bilateral trade deficit mounting, tougher talk may emerge in Congress, particularly when defense appropriations reach the floor and the annual debate on burdensharing resumes.

The key point in this dispute from a Japanese perspective is that the recent lack of overt pressure from the United States on defense spending has made Japanese progress possible. Defense programs will not gain public support if they are perceived as responses to American pressure. They must be viewed as Japanese plans for Japan's sake, not as an extension of American strategies that might risk Japanese involvement in a U.S. dispute.

JDA recognizes this problem and the potential conflict between self-sufficiency and trade surpluses with the United States. The difficulty lies in persuading planners that sustainability is not synonymous with self-sufficiency. The situation has been complicated recently by Prime Minister Nakasone's April address urging the Japanese to buy more foreign goods. "The only problem," says one Japanese defense official, "is that I don't want to buy anything American-made except weapons."

The FSX program might be viewed as a test case in this instance. Should JDA opt for the F-16 or another American system instead of a purely domestic project, some of the immediate pressure may be relieved. As several U.S. analysts have noted, the jump from co-production to total domestic production is a quantum leap. Japanese companies are given high marks in certain elements of fighter production, but even those firms that are viewed as potential contractors for the FSX admit that considerable weaknesses exist and assume that at least one of the three major elements of the system -- fuselage, engine or wing structure -- will be produced abroad.

SDI: A Role for Japan in "Star Wars"?

Another urgent subject is Japan's participation in research and development for the Strategic Defense Initiative (SDI), the so-called "Star Wars" space defense system. Prime Minister Nakasone reiterated his

"understanding" of the proposal at the recent Bonn summit, perhaps to lend President Reagan moral support for his efforts to secure the participation of all the Western allies, or possibly to indicate his eagerness to involve Japan in the project. The SDI is viewed as a major test of the technology transfer agreement in Japan and offers a rare opportunity to both contribute to and benefit from a highly sophisticated R&D effort. Furthermore, should the program result in a workable defense system, it holds the prospect of nuclear security, not a trivial concern to Japanese policymakers.

The problems, however, are numerous, as can well be imagined given the policy considerations and the absence of precedents. The first clearly is cost. Japan is interested not only in the SDI, but also in the National Aeronautics and Space Administration's space station proposal and a number of other major projects, but financial limitations may prevent its extensive participation in more than one of these programs.

Another fear is that participation in the SDI would take Japan one step away from self-defense and much closer to cooperation with Western allies in a larger collective security system. It implies an obligation to defend other nations, even though Japan may not be directly affected by a given situation. This clearly goes beyond current concepts and definitions of "self-defense."

Finally, there is the deployment question. Some Japanese analysts have questioned whether Europe would receive priority over Japan in SDI deployment, or if its deployment would mean a weakening of U.S. willingness to extend the "nuclear umbrella" over Japan. Other concerns include potential violation of the Diet's resolution on peaceful use of space and/or Japan's non-nuclear principles. The prime minister has addressed both points and insists that the two policies would remain intact and uncompromised by SDI participation.

Observers in the United States and Japan agree that the SDI project is likely to demand considerable popular and political attention in Japan for the rest of the year. U.S. experts have briefed Japanese Foreign Ministry officials on the proposal and are awaiting a Japanese decision. The failure at Bonn to achieve a Western consensus on the program may have dampened Japan's ability to embrace the project, but at this time, the government is expected to proceed, despite public opinion polls that suggest uneasiness at the prospect.

The Future

Although in actual budgetary terms Japan's defense efforts still lag behind its needs, the country has made tremendous strides on a policy level in achieving a level of debate and discussion that is notable both for its perceptiveness and depth, as compared with only a few years ago. "It's a more meaningful and honest debate," notes one defense analyst, and this contributes to Japan's growing role in the region and its international stature. Public opinion may be several steps behind policy options, but perhaps this is politically desirable given the special burdens that Japan is forced to carry in terms of international security.

Increased Japanese defense efforts should bring applause in the United States, even among critics of current policies. However, Tokyo's direction could be misinterpreted in this country, leading to problems down the road.

Increased Japanese defense spending, for example, will not reduce the U.S. burden, if only because the Soviet Union continues to accelerate its buildup in the Pacific. Japanese efforts fulfill domestic needs and supplement American forces in the region, which are being stretched even further by Soviet activities in adjacent regions.

A striking change can be seen in the official pursuit of international exchanges and regional activities, such as the recent announcement by Japanese and Chinese officials that top defense officials will exchange visits. Such trips were unheard of when the two countries normalized relations in 1972; now they are an integral part of regional stability.

The general thrust of Japan's recent defense policies is likely to continue even after the Nakasone regime, although perhaps not at the same pace or with the same profile. The two top contenders for Mr. Nakasone's position -- Foreign Minister Shintaro Abe and Finance Minister Noboru Takeshita -- are both viewed as "pro-defense" and support most of the current and projected programs. Mr. Takeshita might be viewed with suspicion in some circles because of his tenure at the budget-conscious Finance Ministry, but the prospect of his becoming premier does not appear to concern defense officials in either country.

A key question now from an American perspective is the degree to which Japan will go it alone on defense production or cooperate with the United States. "Japan's defense is at a crossroads," claims one specialist, "and it must make up its mind which way it will proceed." That decision will have considerable impact not only on Japan but on the rest of the world as well.

For further information, contact Michael Chinworth.

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The views expressed in this report are those of the author and do not necessarily represent those of the Japan Economic Institute.

Proposed and Actual FY 1984 Defense Spending

(in millions of yen)

Allocation	Proposed by JDA	Change from FY 1983	Approved by Diet	Change from FY 1983
Ground Self-Defense Forces (GSDF)	Y1,069,728	4.1%	Y1,077,539	4.9%
Maritime Self-Defense Forces (MSDF)	711,896	8.8	705,984	7.9
Air Self-Defense Forces (ASDF)	765,409	9.4	758,721	8.5
Internal Bureaus	9,955	3.7	9,980	4.0
Joint Staff Council	1,804	88.8	1,696	77.6
National Defense Academy	717	-3.7	719	-3.6
National Defense College	9,646	6.9	9,673	7.2
Defense Medical College	11,363	1.1	11,395	1.4
Technical Research and Development Institute	44,295	14.7	43,758	13.3
Central Procurement Office	4,376	-1.7	4,409	-1.0
Defense Facility Administration Agency	314,511	5.3	310,647	4.0
National Defense Council	---	---	124	0.0
Total	2,943,700	6.9	2,934,645	6.55

Source: Japan Defense Agency

Top Ten Defense Contractors, FY 1984

(in billions of yen)

1.	Mitsubishi Heavy Industries, Ltd.	Y235.9	(1)
2.	Kawasaki Heavy Industries, Ltd.	102.7	(3)
3.	Ishikawajima-Harima Heavy Industries, Ltd.	93.3	(4)
4.	Mitsubishi Electric Corp.	92.3	(5)
5.	Toshiba Corp.	60.6	(6)
6.	NEC Corp.	43.2	(2)
7.	Japan Steel Works, Ltd.	23.6	(7)
8.	Sumitomo Heavy Industries, Ltd.	22.1	(41)
9.	Hitachi Zosen Corp.	20.5	(13)
10.	C. Itoh Aviation Co., Ltd.	19.5	(58)

Note: Number in parenthesis indicates FY 1983 ranking.

Source: Nihon Keizai Shimbun